

Truth and Consequences:
Some Economics of False Consciousness*

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Abstract: Proponents of the concept of false consciousness argue that the phenomenon is most evident in the most important choices that people make, such as choices over occupation and marriage. We argue to the contrary. Economic analysis leads us to expect false consciousness in low consequence, low decisiveness environments. Individuals may find it rational to hold false beliefs only when the marginal private cost of holding those beliefs is low. False consciousness therefore is more likely to be found in the theories of academic social critics than in the subjects of their criticism.

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When theory systematically fails to square with reality, theorists can reconcile the differences in a few ways. In some cases, the theory is abandoned and more plausible theories are adopted. In others, the theory is reexamined and improved. Unfortunately, in a few cases, patchworks are stitched inappropriately onto empirically falsified theories in desperate salvage attempts. Faced with a reasonably happy proletariat instead of class-conscious masses ready for revolution, Marxist and other radical-left theorists invoked “false consciousness” as the mitigating factor. Workers choosing jobs over revolt, according to the theory, do so only because they haven’t recognized the depths of their own oppression.¹ Women choosing homemaking over a career, they argue, do so only because of patriarchal hegemony. Careful exploration of the concept leads to the conclusion that false consciousness certainly can and does exist, but not as the radical-left uses the term. Rather, economic theory leads us to expect false consciousness in cases where the individual has little personal stake in or little control over the outcome – conditions that much more closely resemble the decision environment of the theorist decrying shortages of class consciousness than that of the individual choosing work over revolt.

Many on the radical left invoke “false consciousness” to explain the failure of the oppressed to behave and talk in ways that one would expect oppressed people to behave and talk. False consciousness, as diagnosed by the left, is a mental condition that immunizes victims from truly understanding how -- and even *that* -- they are victimized. According to radical-left law professor Richard Delgado, “the term ‘false consciousness’ refers to a phenomenon in which the oppressed come to identify with their oppressors, internalize their views, and thus appear to consent to their own subordination” (1993, 674).² If victims are blinded by their oppressors, it is no surprise that victims’ actions do not betray their victim status. Indeed, the general contentedness of victims in the face of massive oppression *proves* the overwhelming and unchallenged hegemonic power of oppressive elites. As Mari Matsuda says, “[p]ower at its peak is so quiet and obvious in its place of seized truth that it becomes, simply, truth rather than

¹ Proponents of oppression-obsessed theories call their theories by the more up-beat name “liberation” theories. (Students at the Yale Law School in the late 1980s started a new journal devoted to “liberation” theories: *Yale Journal of Law & Liberation*.) Liberation thinkers first identify various oppressed people, and then construct theories justifying liberation of these people from their oppressors. And such liberation is desperately needed, for the oppressors are so vile and their hegemony so thorough that the great majority of their victims have no sense of their victim-status.

² According to J. M. Balkin, “[t]he notion that one’s own beliefs are serving interests contrary to one’s own is often (Footnote continues on next page)

power” (1990, 1765).³ Power so deep and indomitable can be identified only by the courageous and talented few (almost all of whom are academics) who have, somehow, broken free of the mentally stultifying forces of bourgeois institutions.

Scholars of all political persuasions have taken justifiable and accurate aim at the use many radical leftists make of false consciousness.⁴ While we agree that leftist proponents of false consciousness use it as nothing more than a methodologically corrupt device to salvage empirically suspect theories, we argue here that false consciousness is a plausible concept. People *can* systematically be misled about the way others treat them. And people *can* form and cling sincerely to utterly invalid theories of social reality -- theories that distort their adherents' views of reality and, hence, cause these adherents to support policies harmful to them and to those they care about.

Therefore, we here make a case for false consciousness. Unlike radical leftists, however, we do not yank false consciousness out of the air whenever contradictions between observed reality and a theory's predictions need papering over. Instead, we use standard economics to identify conditions under which false consciousness is, and is not, likely to emerge. Interestingly, economics shows that false consciousness is *not* likely to afflict those persons typically identified by the radical left as afflicted by false consciousness. Also interesting is the fact that academics in their roles as social critics are among those persons most likely to be afflicted by false consciousness. Far from pioneering or engineering humankind's liberation from false consciousness, academics are highly susceptible to it. Therefore, social criticism and policy proposals offered by academics should be approached with healthy doses of suspicion.

The Economics of False Consciousness

“False consciousness” is a term favored by the left as a label for people’s systematic failure to adequately understand and respond to social reality. While no one can hope to

summed up in the illusive term ‘false consciousness’” (1995, 1935).

³ A leading guru of radical feminist thought is Catherine MacKinnon -- a writer so obsessed with rhetorical flourish that she seldom hesitates to sacrifice intelligibility for flamboyant embellishment: “[T]he worse and more systematic one's mistreatment is, the more it seems justified. Liberalism has a regard for power that never *sees* it, yet sees *only* it. It never sees power as power, yet can see as significant only that which power does” (1987, 221; original emphasis).

⁴ Criticisms of false consciousness from the left include, *e.g.*, Kim (1993); Strossen (1993), and Abrams (1990). (Footnote continues on next page)

understand reality in full, false consciousness exists whenever the degree of misunderstanding is so great that people mistake social arrangements that really harm them as being social arrangements that benefit them. Among the institutions typically identified by the left as victimizing people who, because of false consciousness, are blind to their victimization are capitalism (victimizing everyone except the bourgeois elite) and “traditional” nuclear-family arrangements (victimizing women). Victims’ false consciousness is a narcotic, duping them into a complacency that prevents the overthrow of oppressive social institutions by non-oppressive institutions. Malignant institutions can thus persist indefinitely, wreaking net harm year after year after year.

An economist’s initial instinct is to dismiss false consciousness out of hand. The reason is that false consciousness posits people who neither know nor learn what’s good for them. Such people seem at odds with economists’ assumption of human rationality. One component of human rationality is a person’s ability to learn and to adjust his actions to better assure achievement of his goals.⁵ False consciousness, in contrast, requires that large numbers of people never learn that some set of institutions inflicts genuine harm on them. To reconcile false consciousness and economic theory, we turn to the field of information economics.

At the core of information economics lays the concept of rational ignorance. Understanding rational ignorance begins with the recognition that knowledge is not only valuable, but also costly. Time and effort spent acquiring knowledge is time and effort diverted from other worthwhile pursuits. As with all costly items, rational people will acquire knowledge only up to the point where the cost of additional knowledge equals the value of that additional knowledge. Knowledge is never so valuable that the cost of acquiring it does not limit the amounts acquired.⁶

In this sense, then, everyone is rationally ignorant about everything. No one ever learns literally all there is to know about anything. But, in most economic contexts, rational ignorance

Criticisms from the right include, *e.g.*, Epstein (1993).

⁵ Rationality “implies that people respond to incentives -- that if a person’s surroundings change in such a way that he could increase his satisfaction by altering his behavior, he will do so” (Posner 1992, 4). *See also* Silberberg (1995, 20), who points out that economists assume that “all individuals strive to mitigate or reduce the adverse consequences of the constraints they face; if any constraint changes, people will respond so as to reduce rather than reinforce these adverse effects.”

tends not to lead to undesirable outcomes because individuals develop reasonably good rules of thumb for dealing with limited information and, on average, people will get things about right. More technically, limited information will increase the variance of peoples' choices in particular contexts, but on average people will find those alternatives that best achieve their goals.⁷ When making economic choices, people have incentives to get things right. The effort that they put into making the correct decisions will be proportional to the stakes involved.

So, far from counseling that false consciousness be jettisoned as a concept, economics explains when false consciousness is -- and is not -- likely to exist. Rational ignorance implies that people will invest resources in acquiring and carefully processing information when the stakes warrant doing so. But, rational ignorance also implies the converse: a person will acquire less knowledge about some event (1) the lower is that person's influence over the outcome of that event, and (2) the lower is that person's stake in the outcome of that event. A person with little influence over the outcome of some event, or a person with no subjectively felt personal stake in the outcome of some event, will expend less time, effort, and resources on making an informed choice among alternatives than will someone with both a decisive role in selecting the outcome of an event and a personal stake in the outcome. In other words, a person has incentive to become *adequately* informed about impending choice situations only when that person is both *decisive* in, and *personally impacted* by, the decision. Stripping decisiveness or personal stakes from a decision maker -- moves him from the realm of rational ignorance, where there are real-world consequences attached to choices, to the realm of rational irrationality.⁸ Observed choices under such circumstances do not reveal the chooser's true preferences -- i.e., the preferences the chooser would reveal if his choice were decisive.

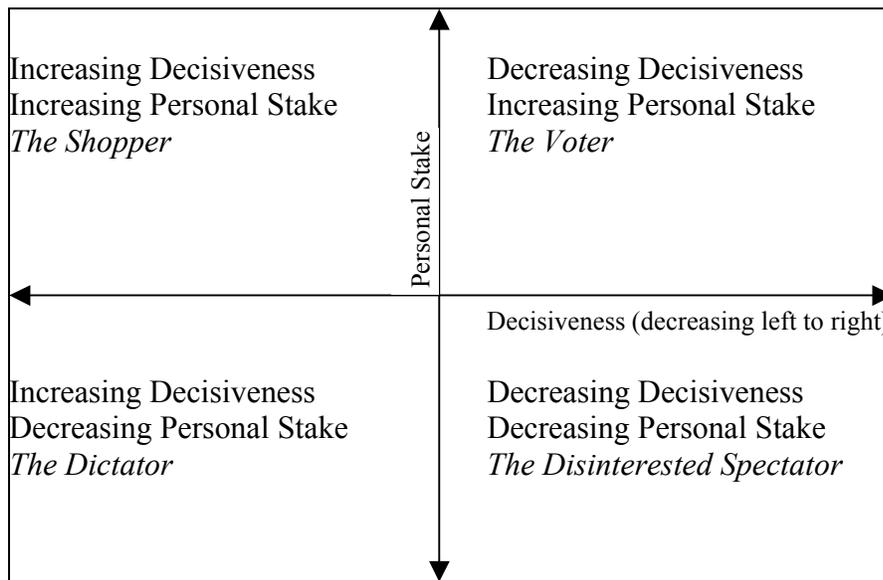
Figure 1 depicts the four possible combinations of decisiveness and personal stakes. This matrix is useful for identifying characteristics of choice situations that promote, or stymie, responsible decision making.

⁶ See Stigler (1961).

⁷ See Heiner [1983] for example.

⁸ See Caplan [2001a, b]. Caplan argues that when people have no incentive to gather and rationally process information, they will choose to indulge personal prejudices which may or may not accurately square with the real world -- they rationally choose to hold irrational, but pleasant, beliefs in low-consequence environments.

Figure1: Decisiveness, Personal Stake, and Four Decision Archetypes⁹



In the northwest quadrant, characterized by *The Shopper*, are decisions in which each individual decision maker is decisive *and* has a direct personal stake in the outcomes of the choices made. Choices by consumers in private-property markets are good examples of such decisions. A consumer individually is decisive in determining, say, whether he buys the house on Elm Street or the condominium on Oak Street, and this consumer has a personal stake in making the correct decision. (If the condominium is located in a bad neighborhood, or if it is too small for his needs, the buyer personally suffers the ill consequences of having selected the condominium over the house.) Decisions characteristic of *The Shopper* are those for which decision makers are most likely to gather adequate information and to exercise careful and prudent judgment.¹⁰ Decision makers in quadrant #1 are “rationally informed” rather than “rationally irrational.” In no other quadrant are decision makers likely to be rationally informed.

⁹ Consider the x-axis, decisiveness, as measuring the probability that the individual’s choice will become the final outcome. The probability approaches 1 at the left-hand side of the axis and approaches zero at the right-hand side. Consider the y-axis, personal stake, as measuring the amount by which the decision maker is made better off by choosing one alternative rather than another. For decisions of equal total global consequence, the y-axis can measure the extent to which the utility difference will be internalized by the decision maker.

¹⁰ To be precise, this sentence should read “Decisions characterized by *The Shopper* are those for which decision makers are most likely to gather the greatest amount of information, and to exercise the most considered and prudent judgment, *relative to the value of the decision at hand.*” The reason for the italicized qualification is that decisions that have only minor consequences -- e.g., a consumer’s choice of which breakfast cereal to purchase today -- are not decisions for which rational decision makers gather absolutely large quantities of information and (Footnote continues on next page)

In the northeast quadrant, characterized by *The Voter*, are decisions in which the “decision maker” has a high personal stake but no decisive decision-making power. An example would be a decision process in which, say, people vote democratically to elect a Housing Commissar, who decides which house or condominium each would-be homeowner must purchase. Each aspiring homeowner has a high personal stake in the outcome of the commissar’s decision (e.g., a home buyer who dislikes condominiums will suffer if the Housing Commissar decides that this person will purchase and live in a condominium), but no home buyer is individually decisive in selecting which home to purchase. Each home-buyer’s decision-making power is limited to choosing which candidate for Housing Commissar to vote for. Home buyers under such circumstances clearly are not very individually decisive in selecting their homes; indeed, they each have but a negligible effect on the election outcome in any reasonably-sized electorate. Therefore, despite the great personal stake of each home buyer in the commissar’s choice, none of them can really affect the choice made by the Commissar and so no home buyer has incentive to gather as much information about available homes and to study and weigh their relative merits as each would if the decision of which home to purchase belonged to individual home buyers rather than to the Housing Commissar. The southwest quadrant, which we will call the realm of *The Dictator*, is, in one sense, the opposite of *The Voter’s* quadrant. Here we find decisions over which an individual decision maker is decisive, but which are of little personal consequence to the decision maker. In another sense, though, *The Voter’s* decisions are quite similar to *The Dictator’s*: both decision makers have little incentive to become adequately informed before making their choices.

As an example of a *Dictator*-type decision, consider again the hypothetical Housing Commissar charged with the exclusive responsibility of choosing which home each home buyer will purchase. From the perspective of the commissar, the commissar’s choice of which house the Smiths will purchase is decisive. However, because the commissar has no personal stake in

spend hours deliberating before making their choices. The larger the size of the personal consequence of a decision, the greater is the cognitive effort devoted to making the choice. Home buyers spend more time examining and weighing the relative merits of different homes than chewing-gum buyers spend searching for just the right stick of chewing gum. But this relationship between the size of a decision-maker’s personal stake in a decision and the amount of effort this person will exert to make the correct decision should not obscure the fact that, no matter how small are the personal consequences of a decision, the person with the largest personal stake in that decision is the one with the strongest incentive to choose correctly.

the outcome -- he will not live in the home he selects -- the commissar has at most only very modest incentives to invest time and effort in making the choice that is best for the Smiths. The Housing Commissar has weaker incentives to make a careful decision on behalf of the Smiths than the Smiths would have if the choice of which home to purchase was theirs and theirs alone. At worst, the Housing Commissar could have no incentive to make a careful decision. In such cases, it would be no surprise if the Commissar either allocated houses randomly in order to reduce his workload or allocated houses to suit his personal fancies about how people should live rather than to suit the preferences of the people buying the homes.

Although there are no such Housing Commissars in the United States, America does have government officials with decisive powers to choose what individual Americans can purchase. For example, decisions by the Food and Drug Administration are in the hands of a single person: the F.D.A. Commissioner. Putting aside the possibility of override by the Secretary of Health and Human Services or by Congress, this Commissioner is individually decisive in determining which drugs, medical devices, and food additives can lawfully be purchased by hundreds of millions of Americans.¹¹ But even though the F.D.A. Commissioner can decisively choose to keep a drug, medical device, or food additive off the market, the fact that he or she does not have the same personal stake in such decisions as do individual consumers means that the F.D.A. Commissioner necessarily makes worse choices than would a consumer with the same set of information.¹²

In the southeast quadrant, which we characterize as the domain of the *Disinterested Spectator*, are decisions over which a decision maker has neither decisive input into the outcome

¹¹ For example, the decision of whether or not American consumers would be allowed to purchase foods containing the synthetic-fat substance Olestra was in the lone hands of F.D.A. Commissioner David Kessler. After much delay, Kessler in January 1996 approved the commercial use of Olestra.

¹² This is not to say that the F.D.A. Commissioner has *no* personal stake in such matters. The Commissioner may one day wish to purchase the product currently under F.D.A. review. But even without this possibility, the F.D.A. Commissioner's personal stake is real. This personal stake, however, is a political stake; it is not coterminous with consumers' stake in the availability of food and drug products. The F.D.A. Commissioner's personal stake in the outcome of a decision to approve or disapprove a new medical or food product turns mainly upon how that decision will play in the political arena. And precisely because voters are rationally ignorant about F.D.A. review policies, there is little reason to suppose that the political consequences of an F.D.A. decision will prompt the Commissioner to make those decisions that are optimal from the standpoint of individual consumers. Typically, the F.D.A. faces a much stronger political backlash for causing death or injury by approving a drug prematurely than for causing death or injury by waiting too long to release a drug. Consequently, drug approval takes longer than it otherwise would. See Higgs (1994).

nor a personal stake in the outcome. *The Disinterested Spectator* has even less incentive to make informed decisions than do decision makers like *The Voter* or *The Dictator*. Imagine yourself, for example, as a spectator at a baseball game. Suppose you are indifferent to the sport, care nothing about either of the teams, and have wagered nothing on the outcome. Because you have neither a personal stake in the outcome of the game nor any ability personally to choose the outcome, you will be an uninformed spectator. Devoting time and effort to learning about the opponents will have no personal pay-off for you. You spend your scarce energies in other ways. Anyone asking your opinion of the goings-on on the baseball diamond will receive an answer as uninformed as it is uninspired. At best, you might opine that team with the prettier jerseys should win.

Only decision makers in situations similar to that of *The Shopper* have adequate incentives to inform themselves about available alternatives and to make decisions with appropriate care. In all three of the other quadrants, a critical element for responsible decision making is missing – and, in the case of decision makers like *The Disinterested Spectator*, both critical elements are missing. Thus, more generally, as we move along the axes either weakening a decision-maker's decisiveness, weakening his personal stake in the outcome, or as we move in both directions simultaneously (weakening a decision-maker's decisiveness *and* personal stake), the shrewdness of decisions will diminish. The reason is that decisions made by individuals who lack either the decisiveness or the personal stakes of our *Shopper* will be made with less information and less prudence than will undergird *The Shopper's* decisions. The more closely decision situations resemble the decision situation of *The Shopper*, the more likely these decisions will be taken with sufficient care and information; the further a decision situation is from the decision situation of *The Shopper*, the less likely it is that these decisions will be taken with sufficient care and information. When assessing the wisdom and soundness of a real-world decision, it is helpful first to classify that decision into its appropriate location in Figure One.

Private Choices are Unlikely to be Distorted by False Consciousness

The above schema shows that the very kinds of choices that radical leftists believe to be susceptible to false consciousness -- private, non-political choices -- are among those choices least likely to be perverted by false consciousness. Consider a woman who abandons a promising professional career in order to be a full-time homemaker and mother. A woman

making such a choice is a classic example of someone allegedly stricken with false consciousness.¹³ But because this woman's decision most closely resembles the choice situation of *The Shopper*, her decision in this context is unlikely to be distorted by false consciousness. This woman's decision to continue or to quit her professional career is hers and hers alone.¹⁴ Her choice is decisive. Moreover, the personal consequences of her decision fall squarely upon her. She thus has strong incentives to acquire and prudently to weigh adequate information before committing herself one way or the other. Women making such choices are best presumed to choose wisely and prudently, for women in such choice situations have powerful incentives to rid themselves of any false consciousness.

The same holds true for many of the other kinds of decisions radical leftists identify as being distorted by false consciousness -- e.g., women's choices to engage in heterosexual sex (Dworkin 1987),¹⁵ fertile women's agreements to serve as surrogate mothers (Radin 1987, 1931),¹⁶ infertile women's agreements to allow their husbands to artificially inseminate surrogate mothers (Radin 1987, 1931), workers' decisions to work for non-unionized firms,¹⁷ and consumers' decisions to shop at malls, listen to Rush Limbaugh, and indulge deeply in popular

¹³ See, e.g., Rosenfeld (1985, 924).

¹⁴ That a woman making such a choice typically does so with the counsel (and sometimes --perhaps often -- with the pressure) of her husband, family, and friends does not change the fact that the decision is ultimately the woman's to make -- and hers *alone* to make. Individual women making such decisions are decisive in each of their cases.

¹⁵ Dworkin asserts that "[i]ntercourse is the pure, sterile, formal expression of men's contempt for women..." (1987) and portrays coitus as if it were emotionally and physically akin to soldiering in World War I's trenches:

Sexual intercourse is . . . intense, often desperate. The internal landscape is violent upheaval, a wild and ultimately cruel disregard of human individuality, a brazen, high-strung wanting that is absolute and imperishable, not attached to personality, no respecter of boundaries; ending not in sexual climax but in a human tragedy of failed relationships, vengeful bitterness in an aftermath of sexual heat, personality corroded by too much endurance of undesired, habitual intercourse, conflict, a wearing away of vitality in the numbness finally of habit or compulsion or the loneliness of separation. The experience of fucking changes people, so that they are often lost to each other and slowly they are lost to human hope.

¹⁶ Margaret Jane Radin asserts that surrogate mothers suffer a "kind of false consciousness" in feeling "called upon to produce children for others" (1987, 1931). *See also* Horsburgh who insists that "[s]urrogacy is made possible because more privileged women oppress less fortunate women and one minority exploits another" (1993, 62). What these and many other writers on surrogacy mysteriously overlook is that women who contract to be surrogate mothers individually consent to be surrogate mothers; the "oppression" visited by privileged women upon surrogates is nothing more than the offer of a fee for service -- a fee that each surrogate mother obviously finds worthwhile.

¹⁷ Estreicher (1994) discusses some of the "false consciousness" explanations of workers' choosing to work for non-unionized firms.

commercial culture.¹⁸ . Each of these situations presents individuals with decisive choices over matters in which each of them has a strong personal stake. Decision-makers in these circumstances are not plausibly victims of false consciousness.

Although they don't use the term, conservatives are not above using false-consciousness kinds of arguments. For example, conservatives who assert that consumers of pornography are making choices that will hurt their families and degrade their moral sensibilities are, in effect, asserting that false consciousness distorts those consumers' choices.¹⁹ But because each person's choices in this realm are decisive, and because each person has a large personal stake in making the choice most suitable to him or her, there is every reason to suppose these choices are not distorted by false consciousness.

Conditions Favorable for False Consciousness: Majoritarian Voting

While false consciousness is unlikely to garble people's private decisions, it *is* likely to distort decisions made when decision-makers' individual choices are not decisive or when decision-makers have no personal stake in the matters being decided upon. Two prevalent decision situations of this kind are notable: voting in majority-rule political elections, and academic social criticism. Consider first how political settings incubate false consciousness.

Imagine that the make of car a person will drive is determined not by individual choice but, instead, by majority vote. Because any buyer's decision is unlikely to be decisive in a majority-rule setting (compared to the decisiveness of each such decision in a market setting), the value to a buyer of acquiring information about competing makes of cars, and of processing available information rationally, is lower than it is when he alone decides which car to purchase. With more than a small handful of voters involved in the decision, even the person who will pay for and drive the car chosen for him by popular vote has little incentive to learn about the pros and cons of the available makes of cars. The return to the buyer of any investment of his time in

¹⁸ Radical-left criticisms of capitalist exchange relationships abound. *See, e.g.*, Klare (1992] pointing out that "[t]here is a well-known theory that in advanced capitalist societies consumers' tastes are manipulated and managed by advertising, films, TV, and so on. . . . The idea is, in short, that much of people's concerns about the experience of fashion reflects false consciousness. . . . I think there is much to be said for these ideas. . . ." *See also* Radin (1987) and Schnably (1993).

¹⁹ That the radical left agrees with conservatives that pornography aficionados are plagued with false consciousness should make both parties wish to seriously reconsider their arguments.

reading *Consumer Reports* or in test driving various models would be quite low. The upshot is that no voter in majority-rule settings -- including that of the car-buyer himself in this hypothetical example -- has much incentive either to acquire adequate knowledge about the matters being voted upon, or to think coherently through the matters at stake, because no voter's vote will determine the outcome of the majority-rule election.²⁰ Because the buyer's vote is unlikely to be decisive, and because knowledge-acquisition and information processing are costly, any knowledge the buyer acquires about the relative merits of the available makes of cars will be useless to him. Thus, despite his large personal stake in the outcome of the decision process, a car buyer in a majority-rule setting will acquire less knowledge about new cars, and will think less coherently about the relative merits of different car options, than he will when the decision of which car to purchase is his alone.

We must emphasize that the problem facing voters isn't simply that the context of democratic choice induces them to acquire less information about cars than they otherwise would, leading to democratic selection embodying sub-optimal amounts of knowledge about cars. If knowledge-acquisition were the primary problem facing voters in this situation, the matter could be resolved rather simply. Voters could choose, for example, to delegate the decision to a consultant hired for her expertise regarding matters automotive. Alternatively, voters could turn to different sets of authorities and base their voting decisions on the advice given them by groups they know and trust.²¹ The more difficult problem is that, when individual voters have only a negligible effect on voting outcomes but enjoy expressing their support for different alternatives, they have every incentive to indulge their private prejudices and irrationalities at the ballot box. For example, imagine that a person would derive one thousand dollars worth of net additional benefit from driving a large car with a hungry engine over a small

²⁰ See Gwartney & Wagner (1988, 11-12): "A voter stands to gain little from the acquisition of additional information about a wide range of issues that are decided in the political arena. Since the resolution of these issues is, like the weather, out of the voter's hands, the voter has little incentive to become more informed."

²¹ For example, a die-hard environmental activist could acquire information from the Sierra Club, while a driving enthusiast could acquire information from the National Motorists' Association. Though acquiring information is costly, interested parties have every incentive to subsidize the production and dissemination of relevant information. Indeed, in the modern democratic election, the avoidance of information about rival ballot-box options seems more difficult than absorbing the glut of electoral information provided by candidates and interest groups. Lupia and McCubbins [1998] make a compelling case that ill-informed voters can successfully mimic the voting behavior of well-informed voters with similar interests. Of course, he says nothing about whether well-informed voters vote in rational ways.

car with an efficient but weak engine, and that our person enjoys one dollar's worth of benefit from expressing his support for environmental concerns. If our driver has anything less than a one in one-thousand chance of changing the outcome of the car vote, he will vote to ban big cars and mandate that everyone drive small, efficient cars.²² Since the odds that a voter in a national election will cast the decisive ballot approach something in the order of one in a hundred million²³, expressive aspects will always dominate.

Majority-rule politics, then, is one setting in which economics predicts that false consciousness likely will persist. Because democratic electoral settings render individual votes indecisive, voters may persistently support government policies that have expressive appeal, but that actually harm them.²⁴ Voters express their support for helping the working poor by voting for minimum wage laws that drive them into unemployment; express their support for endangered species by voting for legislation that encourages landowners to “shoot, shovel, and shut up”; express their support for the disabled by voting for labour market regulations that scare employers away from hiring them; express their support for small family farmers by voting for measures that give corporate giants billions of dollars in annual subsidies; and for a host of other measures appealing to popular sympathies but leading to perverse results. False consciousness permeates the democratic process.

Understanding the link between false consciousness and majority-voting environments lets us see that economic-minded scholars who criticize government programs are not necessarily being illogical if the people allegedly harmed by these policies also support these policies. For example, Ian Ayres is mistaken in his sweeping denial that a libertarian law-and-economics scholar such as Richard Epstein “cannot admit the possibility of false consciousness without destroying the analytical power of revealed preference theory and freedom of contract” (1994, 85). Ayres says that if civil-rights legislation inflicts upon blacks the harm that Epstein claims it inflicts, blacks would not support it. Because blacks generally support civil-rights

²² For a general analysis of the consequences of the indecisiveness of individual voters in majority-rule settings, see Brennan & Lomasky (1993) DeBow & Lee (1988), and Caplan [2001b].

²³ See Riker and Ordeshook [1968].

²⁴ Some economists believe that limits on human cognition and reason are so mild that rational ignorance is not much of a problem in voting contexts. See Wittman (1995). For criticism of Wittman's highly optimistic opinion of human rationality, see Buchanan (1996) and Boudreaux (1996). Caplan, [2001a], argues that Wittman fails to address the central problem of democratic choice; namely, that voters have no incentive at the ballot box to choose (Footnote continues on next page)

legislation, it follows for Ayers that an economic-minded scholar such as Epstein cannot logically argue that this legislation is on net detrimental to the interests of blacks.

Ayres's claim is mistaken. While Ayres correctly suggests that economics counsels against explaining *contractual* choices as distorted by false consciousness, he wrongly suggests that false consciousness (by whatever name) can play no legitimate role in law-and-economic analysis. The absence of individual decisiveness in collective-decision-making settings strips away any evidentiary reliability that black support for civil-rights legislation would otherwise have. Black support for civil-rights legislation is not evidence against Epstein's argument that such legislation does more harm than good to blacks.

The distortions endemic to collective decision making are a reason why many economists, particularly those of the Public Choice school specializing in analysis of political institutions, are skeptical of efforts to solve problems through political processes. Far from being a forum in which ordinary citizens can confidently seek liberation from brutal bourgeois oppression, political institutions are likely to breed uninformed, capricious, and inconsistent decisions and results. The reason is that most voters in modern democracies make their voting decisions in choice situations like those found in the portion of Figure 1 named after them. (And when political representatives and administrators exercise their authority, although often decisive, they seldom have personal stakes in the outcomes of most of what they decide upon. Therefore, government officials often find themselves in the decision situation characterized by *The Dictator*.) It is hardly to be expected that such a decision-making procedure generate informed, thoughtful decision makers and optimal outcomes.

Before moving on, it is worthwhile to point out a frequent inconsistency in conservative analysis. Many of the same conservatives who recognize that government regulation of economic activity often reflects nothing more than socially dysfunctional interest-group politics, simultaneously regard majoritarian regulations of moral matters -- e.g., regulation of sexual conduct, abortion, pornography, and gambling -- as expressing the community's moral consensus with sufficient accuracy. But majoritarian-imposed restrictions of the kinds conservatives tend to support are as likely to reflect uninformed and irresponsible decision

serious deliberation of the issues over support for ill-considered notions with expressive appeal.

making as are economic regulations. A voter confronted with the choice, say, of voting for or against a ballot initiative to prohibit abortion makes a decision outside of the contexts normally conducive to good decision-making. His vote will not decide the outcome of the election, and he is expressing his opinion on matters that have deep personal impact on others but may have very little personal impact on him.

Conditions Favorable to False Consciousness: Academic Social Criticism

For much the same reason that political decision-makers will be too poorly informed to make socially optimal decisions (i.e., for much the same reason that political decision makers are likely to suffer false consciousness), academics in their roles as social critics will be inadequately informed when criticizing private choices and offering public-policy proposals. Like an individual voter, an individual academic has neither a decisive input into the choice of social policies, nor a direct personal stake in the outcomes of most public-policy decisions. Nor do academics who diagnose what they perceive to be pathologies in existing political and social ideologies, and who prescribe cures for these alleged maladies,²⁵ have either a decisive input or a direct personal stake in the outcomes of whatever cures they propose.

Such calls for consciousness raising typically overlook the fact that most people whose consciousnesses allegedly require raising are people whose consciousnesses do not need raising, for nothing more dependably raises the consciousness of a decision-maker than making decisive choices about matters in which she has a direct personal stake. Moreover, academics-as-social-critics are unlikely to raise (though they may lower) the consciousness of those who succumb to consciousness-raising sessions -- particularly if such consciousness-raising takes place in "organized movements." The leaders of organized movements have little personal stake in appropriately adjusting the consciousness of those allegedly in need of consciousness raising. In short, academics-as-social-critics reside, decision-wise, in the same decision-making situation as our *Disinterested Spectator*. The social critic has negligible effects on actual public policy, and generally has little at stake in whatever matter he happens to be discussing. Hence,

²⁵ A favorite "cure" for alleged pathological ideologies is "consciousness raising." Consider, e.g., Matsuda (1990, 1778-79): "By 'consciousness-raising,' I mean a collective practice of searching for self-knowledge through close examination of our own circumstances, in conjunction with organized movements to end existing conditions of domination."

academic social criticisms and policy proposals will likely be distorted by mis-information, whimsy, and intellectual arrogance.²⁶ As such, we should treat skeptically academics' social criticisms and policy proposals. Skepticism is doubly appropriate when academic criticism and policy recommendations are aimed at institutions formed by the decisive choices of individuals each with substantial personal stakes in making sound decisions.²⁷

Consider, for example, Peter Singer's (1993) proposal that people in the developed world donate the vast bulk of their incomes to people in the third world. Any income earned beyond that necessary for subsistence, according to Singer, must be used to save lives in the developing world rather than to buy nicer cars or satellite TVs in suburban America. While Singer would prefer that first world governments enact a redistribution mechanism to ensure that everyone comply with his proposal, he recognizes that such an option would be politically infeasible (1993:241). So, he instead urges Americans to keep the first \$30,000 they earn, but to donate all additional money to third world charities. Singer justifies his proposal by arguing that no use of earned income above subsistence can be of greater moral consequence than saving the lives of the poor abroad. Nowhere, though, does he seriously consider the downside of his proposal; namely, the easily predicted incentive effects of a marginal tax rate of 100% on all income earned above \$30,000.

Singer's proposal does not seem likely to help the developing world's poor, but would significantly hurt those living in the developed world. Take Singer's first-best solution of government-enforced redistribution. The economic consequences of 100% effective marginal tax rates are reasonably well known. People stop working and substitute leisure for labor. With the drop in American GDP would come a massive decrease in American voluntary contributions to charity as well as in imports of goods produced by the foreign poor. Industries in the

²⁶ We recognize that some readers at this point may say "A-ha! Are you not hoist on your own petard? For clearly you are also in such a position!" We are not oblivious to the fact that we, as authors of this piece of social criticism, are not immune to this critique. We feel confident that we stand on stronger ground than those we are criticizing, however. The reader is encouraged to critically evaluate both our arguments and those of the theorists with whom we take issue. A greater skepticism of all social criticism, our own included, is encouraged.

²⁷ See Boudreaux (2001). Boudreaux here reminds us that the "simplistic" answer to public policy problems of letting the market decide actually constitutes an admission that the author does not know what the optimal solution to the problem will be. The market mechanism is then trusted to allow individuals to search for the best solution. Great hubris is implicit in the recommendations of academics seeking to impose some solution other than that which the market participants would determine if left to their own devices.

developing world that depend on selling products to American consumers would need to lay off workers, further worsening the condition of the poor in those countries. Alternatively, the drop in American GDP could be prevented by government directives ensuring that people work at least as much as they did prior to the tax increase. In his work on animal rights, Singer condemns those who reduce animals to a state akin to slavery (1990), but most people would correctly describe as slavery a situation, like that described above, in which individuals are compelled to work primarily for the benefit of others.

Singer introduces a caveat into his work. He notes, “we have no obligation to make sacrifices that, to the best of our knowledge, have no prospect of reducing poverty in the long run.” (1993, 241) The growing consensus in development economics is that foreign aid has been of no benefit to the world’s poorest. Rather, as Peter Bauer has convincingly argued, it has served to prop up kleptocratic regimes. Foreign aid provides “an excellent method for transferring money from poor people in rich countries to rich people in poor countries” (*The Economist*, 2002) but does remarkably little to benefit those who Singer wishes to help.²⁸ Peter Margulies is no doubt wise to warn of “theorists conveniently spared from living the consequences of their theories” (1994, 715). As a theorist in the role of the *Disinterested Spectator*, Singer has no incentive to learn that his policy prescriptions would in fact hurt those whom he wishes to help.

Singer makes his proposal knowing that he will play no decisive role in changing public policy on this score. For that reason alone, we are justified in being dubious of his opinion that government should redistribute all wealth not necessary for subsistence. But because Singer proposes to interfere with private, individual choices, the case for skepticism grows. Singer, in effect, proposes that a policy dreamed up by a decision-maker facing the incentives of the *Disinterested Spectator* (namely, himself) supplant choices adopted voluntarily by decision-makers facing the more beneficent incentives of *The Shopper*.²⁹

²⁸ For more penetrating analysis of the types of policies that *would* help the developing world, consult de Soto (1989, 2000) and Bauer (1991).

²⁹ The casualness with which many academic social critics propose interference with the private choices of decisive, high-stakes decision-makers is often astounding. Consider, e.g., Kopytoff (1994, 602) who opposes surrogate-mother contracts because such contracts cause her “unease.”

Because Singer knows his opinions will not be decisive in shifting government policy, he hectors those of us who earn more than \$30,000 to individually choose to donate all excess income to charity. Singer is an example of a professor enamored with his notion that individual, voluntary choices can be improved by adopting his pet prescription.³⁰ What is the appropriate test for such a notion? Of course, a professor might be very learned, intelligent, and rigorous in his thinking, and might write-up his proposal and subject it to the searching criticism of fellow academics. He probably will even revise his proposal in light of the many comments readers share with him. Nevertheless, his proposal remains the product of someone with no decisive choice in determining policy and no personal stake in the outcome of the vast majority of decisions that his proposal aims to modify.³¹

One genuine test of the wisdom of the professor's policy proposal would be to see if this professor would actually adopt it for herself if she were in a decisive position to do so. It happens that many policy proposals offered by academics can easily be adopted individually by academics in their private lives. We can certainly inquire whether Singer lives on \$30,000 per year. While Singer does give more to charity than most people, he's failed to follow his own dictum. Singer claims to give only 20% of his income to charity. Reason magazine reports that he maintains a Manhattan apartment in addition to his house in Princeton, draws income from a tenured position at Princeton (some \$100,000 per year), from a trust fund granted him by his father, and from book royalties. Either Singer is a hypocrite, or his standard for "subsistence living" is one well beyond the means of most Americans. As Bailey points out, "There is some question as to how seriously one should take the dictates of a person who himself cannot live up

³⁰ Speaking as someone who has spent his entire adult life in the idea business, Boudreaux can personally attest that the typical academic idea is held in much higher esteem by its originator than by the originator's professional colleagues. (This is true for his own ideas as well, he's chagrined to admit.) Being human, academics treat their ideas much like parents treat their children: favorably. Some children, of course, really are exceptional and become especially well-liked by many people outside of their families. Most children, however, being ordinary, are thought of much more highly by their own parents than by others -- even though parents might fancy that their child holds a special place in the hearts of all the neighbors. So it is with ideas: some are indeed special and become "adopted" and loved and admired by multitudes. Most ideas, however, are ordinary and bland -- capable of being loved only by their parents. But just as the parents of ordinary children are partial to their children, so, too, are those who originate even the most ordinary of ideas partial to their ideas, and unwilling to accept the truth that their ideas are nothing special.

³¹ Note that those who comment upon and criticize the professor's proposal are themselves not in the decision making position of *The Shopper* and, hence, have less than sufficient incentives to get matters right.

to them. If he finds it impossible to follow his own rules, perhaps that means that he should reconsider his conclusions.” (Bailey, 2000)

Proper humility, and respect for the preferences and intelligence of other people, should admonish academics to put aside their pretensions of being well-positioned and well-motivated to improve the lives of decisive, high-stake decision makers.³² Judges and legislators, of course, should be guided by the same sense of humility and respect for others.³³

Academics, of course, do have valuable roles to play. First, and most obviously, academics are paid to challenge students to think more deeply, to communicate more clearly, and to conduct research. Second, academics themselves are in the business of thinking great thoughts and pushing out the frontiers of knowledge with their own positive research. Third, academics are often well-equipped to explain to laymen the contours of their disciplines. None of these roles necessitates scolding decisive decision-makers with high personal stakes for making what in some professor's view are poor choices.

Although discussing the institutional structure of modern higher education is beyond the scope of this paper, a plausible case can be made that taxpayer financing combines with faculty tenure to turn college faculty into decision-makers thoroughly embedded in the role of *The Disinterested Spectator*. Poor teaching and useless research has only mild and incidental consequences for most faculty members. Thus, faculty are given a very long rein -- and generous expense accounts -- to comment upon a large variety of matters of no particular concern to them and on which no single academic exercises a decisive input. Because so few academics have decisive input into the matters on which they comment, the results of turning loose on society lots of academics with criticisms developed under dubious decision-making

³² Unfortunately, Singer is but the most prominent of recent social critics. Other examples abound. Consider Margaret Jane Radin's (1982) proposal to give all well-behaved tenants the right unilaterally to renew their leases, irrespective of the terms of the leases. While she justifies her proposal with much fine talk of sanctuaries “needed for personhood” and of a home being a “moral nexus”, she nowhere seriously considers the downside of her proposal; namely, the inevitable decrease in the supply (and the rise in price) of rental property. Tenants already have the right to negotiate with their landlords for the option of unilateral renewal; that private, decisive agents do not choose to do so suggests that the policy is not worth pursuing.

³³ Cooter (1994) argues that law should respect social customs that do not impose significant costs on non-members of the groups within which social customs develop. He contends “[t]hose norms should be enforced that arise from an efficient incentive structure” and which impose no substantial harms on third parties (1994, 446).

circumstances would be tolerable were it not for one fact: ideas *do* have consequences.³⁴ If most of those responsible for producing ideas individually face the position of *The Disinterested Spectator* (with respect to the ideas they produce), then an overly large proportion of ill-considered ideas are produced. Many of these ideas influence the development of political ideologies. These ideologies, being the offspring of irresponsible idea creation, can then inflict great harm on society through the operation of democratic voting. That is, the ideas developed and propounded by academics and other social critics facing the incentives of *The Disinterested Spectator* might well create a false consciousness in democratic voters -- a false consciousness which, when translated into government policy, impoverishes citizens and peels away their liberties.

Although individuals are unlikely to be afflicted with false consciousness in their private, decisive decision-making capacities as *Shoppers*, they also make decisions as *Voters*, (as argued above), and in that role are susceptible to false consciousness. While knowledge and wisdom gleaned from private life go far toward sculpting a voter's ideology, a complex world marked as ours is by a vast division of labor cannot be understood through direct observation. Ideology is necessary to give each voter some sense of the socially and politically appropriate. In addition to personal daily experiences, the ideas of intellectuals -- taken either directly or filtered through the popular media -- combine with people's daily experiences to form public ideology. If the ideas that help form this ideology are baseless or corrupt, then the ideology itself will be a poor guide to social reality. Being poorly guided by their ideas, voters are more likely to support policies harmful to them. Even well-meaning voters have weak incentives to acquire 'correct' political ideologies because each of their votes are indecisive and cast to deal with many matters of no direct concern to each voter. Popular ideology helps determine whether voters earn approbation or admonishment for expressing support for particular policies, and expressive voting determines electoral outcomes. Thus, one of the main engines of idea formation in modern society -- academia -- generates an overly a large number of ill-considered ideas, and people as voters have inadequate incentives to avoid being influenced by such ideas -- ideas quite appropriately identified as a source of genuine false consciousness.

³⁴ See Keynes (1936, 383).

Conclusion

The theory of false consciousness explains very little about the decision-making process of individuals making choices in their everyday lives – whether to buy a Chevy or a Geo, whether to marry Jane or Judy, or whether to take a job and enjoy their lives or work towards the violent overthrow of oppressive class structures and the capitalist system. As we have argued, an individual can reliably be expected to make careful decisions in these types of cases not only because he can expect rather different amounts of happiness to flow from the different alternatives, but also because the individual is decisive in choosing between the alternatives.

The theory does, on the other hand, greatly enhance our understanding of the opinions of voters at the ballot box and of academics as social critics. The radical-left uses the theory of false consciousness to argue that the vanguard of the class-conscious and enlightened, namely themselves, must lead the masses to a utopia where collective decisions replace private choices. We show instead that the most likely victims of false consciousness are the social critics themselves and that the purportedly oppressed masses would do better by not paying them much heed. In ignoring them, they have nothing to lose but the chains of false models of the workings of the world around them.

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